



Queensland University of Technology
Brisbane Australia

This is the author's version of a work that was submitted/accepted for publication in the following source:

[Browning, Victoria](#), Edgar, Fiona, Gray, Brendan, & Garrett, Tony (2009) Realising competitive advantage through HRM in New Zealand service industries. *The Service Industries Journal*, 29(6), pp. 741-760.

This file was downloaded from: <http://eprints.qut.edu.au/27171/>

© Copyright 2009 Taylor and Francis

Notice: *Changes introduced as a result of publishing processes such as copy-editing and formatting may not be reflected in this document. For a definitive version of this work, please refer to the published source:*

<http://dx.doi.org/10.1080/02642060902749237>

Abstract

An emerging source of competitive advantage for service industries is the knowledge, skills and attitudes of their employees. Indeed, achievement of a 'service quality' culture, considered imperative for competitive advantage in service organisations, supposedly results from the use of best practice human resource management (HRM), and from a strategic approach to their implementation. This paper empirically explores the use of these dimensions of HRM as a source of competitive advantage. It finds high-performing service organisations actively engage best practices across the areas of recruitment and selection, training and development, communication and team working. Evidence of a strategic approach to the implementation of these practices is also found.

Introduction

The services sector is an increasingly important source of job creation and national wealth, and the ability to compete effectively in both domestic and international markets is critical for continued growth. This paper is part of a comprehensive 5-year research programme conducted by the Marketing Performance Centre, a multi-disciplinary research group based in the Marketing Department at the University of Otago. The programme was devised in order to develop an understanding of the approaches and strategies used by managers of service organisations to achieve a competitive advantage. Its focus was to identify those marketing concepts, such as brand management, market orientation, innovation and information technology, that were considered by organisations to be most important in realising a competitive advantage. The methodology of the programme involved an initial survey and analysis of unprompted data obtained from a comprehensive series of interviews with managers and chief executive officers within a large sample of service organisations. The results suggested that respondents appeared to place a high priority, and in many cases attached the highest level of importance, to best practice human resource management (HRM) as a means to achieving a competitive advantage for their firm.

This paper presents findings from further analysis of the interview data. Specifically, it examines the use of Pfeffer's (1998) seven dimensions of best practice HRM, as well as the approach taken by these service organisations to their implementation.

Theoretical background

HRM as a source of competitive advantage

HRM has evolved a great deal over the past 20 years. Indeed, developments in HRM theory, research and practice have helped transform HRM from a reactive function focusing on administrative and bureaucratic issues to a proactive function focusing on integration. This move means HRM is seen to be linked to business strategy and the achievement of a competitive advantage (Alcázar, Fernández, & Gardey, 2005; Ferris, Hochwarter, Buckley, Harrel-Cook, & Frink, 1999; Purcell, 1999). One reason for this shift in emphasis is that many of the traditional sources of competitive advantage (technology, economies of scale, patents etc.) have diminished in value. Nowadays it is the workforce that has come to be seen as an important source of competitive advantage for the organisation.

This notion of people as a main source of competitive advantage is crucial for the service organisation, especially as service quality becomes increasingly important in this sector

(Mattson, 1994). Effective HRM is widely considered the key to realising this potential from the workforce for the organisation. For example, Haynes and Fryer (2000, p. 240) point out: ... given the importance of the customer/employee interaction to the service encounter, human resource management (HRM) has a key role to play in securing high levels of service quality.

This seems only logical given the main input into service type work is the human resource, and hence the outcomes realised in terms of *service quality* are likely to directly stem from the quality of this resource itself. Despite this, the service sector has largely been overlooked as a separate variable or industry sector in this type of research (Haynes & Fryer, 2000; Hoque, 1999). There are two possible explanations for this lack of attention. First, it is difficult to quantify service outcomes when compared to, say, manufacturing outcomes. Secondly, previous studies would indicate the service sector has not led the way in terms of practising HRM (see, for example, Guerrier & Lockwood, 1989; Hales, 1987). However, more recent studies suggest this is changing, with approaches to HRM in service organisations starting to resemble those in manufacturing organisations (Hoque, 1999).

In line with this view that sees employees (i.e. human resources) as an important source of competitive advantage for the organisation, HRM, as a discipline, has arguably evolved to develop a strategic focus. Strategic HRM (SHRM) in its broadest sense is concerned with the alignment of HRM policies and practices with business strategy. More specifically, the function looks at how the organisation selects policies, practices and structures that best fit the particular business strategy being pursued. This enables the effective management of people within the organisation so that organisational goals are accomplished (Boselie, Dietz, & Boon, 2005; Boxall & Purcell, 2000).

As far as the practice and implementation of SHRM is concerned, a number of 'best practices' constitutive of SHRM have been identified in the literature, along with three different approaches to their implementation. These two areas are now discussed.

Best practice HRM

The objective of best practice in HRM is to promote commitment and motivation which will yield both economic performance and employee development, and hence provide the organisation with a competitive advantage (Hutchinson, Kinnie, Purcell, Rayton, & Swart, 2009). Pfeffer (1998) has identified seven dimensions of best practice HRM: employment security and internal labour markets; selective hiring and sophisticated selection techniques; extensive training, learning and development; employee involvement, information sharing and voice; self-managed teams/team working; high compensation contingent on performance; and reduction of status differentials/harmonisation. Each of these dimensions is now briefly discussed.

Employment security

Employment security, the first of Pfeffer's seven elements of HRM best practice, is underpinned by the other six HRM practices. Pfeffer (1998) logically argues it would be unreasonable to require employee commitment to the organisation, if the organisation in return could not offer some form of ongoing employment security. This reciprocal arrangement fosters mutuality between the organisation and the workforce and is likely to contribute to the development of a positive psychological contract between these parties, encouraging an employment relationship which is both open and trusting (Marchington & Wilkinson, 2005).

Recruitment and selection

‘Capturing a stock of exceptional human talent’ (Boxall, 1996, pp. 66–67) is viewed as an effective way to achieve competitive advantage (Marchington & Wilkinson, 2005).

Excellence in recruitment and selection of the workforce is therefore the second functional HRM area addressed by Pfeffer (1998). While in many respects the use of appropriate and effective recruitment and selection techniques is not a new notion, Pfeffer suggests greater attention to this process is required, along with the use of more sophisticated techniques. The emphasis should be on organisations recruiting individuals who not only have the appropriate technical knowledge, skills and abilities, but also two other characteristics of prospective employees – trainability and commitment (Wood & Albanese, 1995). This has long been an attribute of high-performing service organisations: to hire for attitude and train for skills (Heskett, 2002; Hoque, 2000). For example, Browning (2003, p. 120), in her study of service organisations in South Africa, found managers often claimed ‘You cannot make someone smile. It takes a certain type of person and no amount of training gives someone the right type of personality’. Support for this comes from Peccei and Rosenthal (2000) who suggest service organisations should select candidates with an orientation to service and similarly, Schneider and Bowen (1995) emphasise the importance of selecting candidates who fit the culture of the organisation. This attention to the quality of people selected is considered to pay off in the short term because bringing in service-oriented people rubs off on the overall climate of the organisation and in the long term because it contributes to winning the service game (Schneider & Bowen, 1995).

Training and development

Once considerable effort has been expended in recruiting *exceptional talent* into the organisation, employers then need to ensure this talent is fully harnessed and utilised. This requires training and development enabling the employee to remain at the forefront of their field. A long-term orientation to training, learning and development is therefore also considered important. Not only does this enable employees to maintain proficiency in their work, but it also allows them to keep abreast of developments in their field that may affect their future employability (Browning & Edgar, 2004). Heskett, Sasser, and Schlesinger (1997) find that many of the outstanding service organisations view training as not only providing employees with the skills to do their job better but also improving employees’ self-confidence, pride and ability to cope with life. Similarly, Watson and D’Annunzio-Green (1996) found hotels in the service sector are increasingly using training and development programmes to support the development of a culture of service quality. Similar results were also obtained by Haynes and Fryer (2000) and Harrington and Akehurst (1996). There is a sense of mutuality evident here as these initiatives demonstrate to employees the organisation’s commitment to purposeful and involved employment longevity (Browning & Edgar, 2004; Marchington & Wilkinson, 2005). In describing what frontline employees should be trained in, Schneider and Bowen (1995) emphasise the importance of training in knowledge and skills suited to the nature and strategy of the business. Redman and Mathews (1998) highlight the importance of training in interpersonal skills and teamwork as many service organisations rely on teams to deal with the wide range of needs of customers. This has also given rise to the necessity of multi-skilling employees to perform across functions and training them on how to handle diversity (Baum, Amoah, & Spivak, 1997; Schneider & Bowen, 1995).

Communication

Employee involvement, information sharing and voice is the fourth dimension identified by Pfeffer (1998). Essentially open, two-way communication should be encouraged within the workplace. This provides a number of benefits. First, it ensures employees are informed about financial, strategic and operational matters. Second, it conveys both symbolic and substantive messages about trust and equitable treatment. Third, it encourages employee contribution. Thus effective communication can improve workforce awareness of organisational objectives and encourage greater commitment towards the attainment of strategic goals. Watson and D'Annunzio-Green (1996), along with Haynes and Fryer (2000), found that effective communication practices are also essential to develop a culture of service quality in the hotel industry.

Team working

The fifth factor considered important to organisational success incorporates self-managed teams and team working as the dominant mode of structuring work. Team working encourages better decision-making and the development of creative solutions to problems (Pfeffer, 1998). There is evidence that this mode of work organisation is becoming more and more prevalent in the service sector (Gilbert & Guerrier, 1997).

Compensation

The sixth dimension outlined in Pfeffer's list of best practices is a remuneration strategy which sees employees awarded high compensation contingent on their performance. In practice this type of strategy could take many different forms, including profit sharing, stock ownership, merit pay or various forms of individual or team performance schemes such as incentives or bonuses. The rationale behind this strategy is that it sends a message to employees that their superior contribution to organisational goals is valued, and second, it is consistent with a sophisticated recruitment and selection approach that attempts to attract and retain workers of high quality. The establishment of reward contingencies has a significant association with overall service quality and employee morale (Schneider & Bowen, 1995). However, compensation strategies in most service organisations tend to have limited impact on the service quality provided by their employees (Browning, 2003). This is often because service employees are not paid well and rewards are not contingent on performance. Service organisations often fail to utilise the full range of available rewards, under-emphasise the intrinsic reward of goal accomplishment, reward behaviours that run counter to good customer service and, all in all, fail to understand how to utilise rewarding systems effectively to motivate and energise their employees (Dreher & Doherty, 2001; Schneider & Bowen, 1995).

Harmonisation

The seventh and final dimension concerns harmonisation and the reduction of status differentials within the organisation. Harmonisation can be achieved by implementing uniform terms and conditions of employment (such as holiday entitlements, sick-pay schemes, pensions and hours of work) across the entire workforce. The removal of barriers between different groups in the workforce encourages and supports a team environment philosophy. Organisation symbols, such as language, labels, physical space and dress

(Pfeffer, 1998), convey messages to employees about their value. Symbols that clearly promote egalitarianism suggest that all employees are equally valued by the organisation. An egalitarian environment encourages the sharing of ideas, including employees' views about the work process (Marchington & Grugulis, 2000).

Implementation of SHRM

Three perspectives of strategy implementation have been identified – universal, contingency and configurational (Delery & Doty, 1996; Ferris et al., 1999). The universal perspective implies that all firms will be better off if they adopt best practices in HRM (Alcázar et al., 2005; Boxall & Purcell, 2000; Ferris et al., 1999). This perspective does not require any integration between organisational strategy and HRM policy and practice. Instead, it simply assumes that the use of ‘best practices’ will result in improved performance for the organisation. Furthermore, these practices can have additive effects (Pfeffer, 1994). Thus, the more practices used, the greater the improvement in organisational performance (Alcázar et al., 2005; Becker & Gerhart, 1996; Pfeffer, 1994).

The second approach identified is the contingency perspective. This approach suggests the effectiveness of individual HRM policies and practices is contingent on firm strategy. Therefore, firms that adopt HRM policies and practices that are appropriate for their competitive strategies will be more effective (Delery & Doty, 1996). In other words, organisational performance should improve when HRM policies and practices mutually reinforce the organisation's choice of strategy (Boxall & Purcell, 2000; Ferris et al., 1999). Thus the relationship between best practice HRM and organisational performance is far more complex than the linear relationship suggested in the universal perspective.

The third approach to implementation is the configurational perspective. This perspective, like the contingency approach, sees the fit of HRM practices with organisational strategy as important. However, it considers the pattern of HRM practices as an important factor contributing to the attainment of organisational goals and performance. Delery and Doty (1996) suggest this pattern of practices must be characterised by their consistency both with external, organisational and strategic conditions (vertical fit), and should also be internally consistent (horizontal fit). This dual form of integration supposedly has a synergistic effect for the organisation. In other words, the benefits of establishing a ‘good’ or ‘ideal’ fit – sometimes referred to as ‘powerful connections’ (see, for example, Becker, Huselid, Pickus, & Spratt, 1997) – are said to multiply the potential benefits realised for the organisation when practices are implemented in an isolated, unrelated or unconnected manner.

Previous research examining these three SHRM perspectives has been limited and no studies examine the full list of best practices previously identified. There is evidence, however, that some service organisations attempt to gain synergistic benefits from the alignment of HRM policies and practices both with each other and with organisational strategy (Haynes & Fryer, 2000). While support for all three perspectives can be found, support for the contingency perspective is the greatest (Hoque, 1999; Schuler, 1987; Youndt, Snell, Dean, & Lepak, 1996). Of these, the most relevant to the current research are the results obtained by Hoque in his 1999 study of the UK hotel industry. This study finds that while best practices in HRM can be considered universally relevant within this industry, contingency effects are evident. Moreover, where a configurational approach is adopted, the performance gains for the organisation further increase. This suggests that high-performing service organisations are more likely than low-performing organisations to have HRM practices that are not only aligned with each other but also with their business strategy.

Research design

Data for this study were collected through interviews with the owners, CEOs or managers of 37 service firms to identify examples of best practices in services marketing and management. The rationale for focusing on firms in the service sector is justified because this sector is fast becoming an increasingly important source of job creation and national wealth, and the ability to compete effectively in both domestic and international markets is critical for continued growth in this sector.

Sample

This sample of 37 firms was derived from a 1999 study of 355 firms aimed at identifying ways to improve service sector performance. The demographics for the present study are presented in [Table 1](#). The sample covers a wide range of firm sizes and service industry sectors. Note that there is an over-representation of larger firms (49%) and also a disproportionate number of interviewees classified in the functional manager group (e.g. marketing and finance).

Table 1. Demographic characteristics of the sample ($N = 37$).

Demographic	Number (%)
Performance	
High-performing companies (in terms of relative financial, customer and branding performance compared to nearest competitor)	27 (73)
Below average performers	10 (27)
Industry	
Banking/finance/insurance	5 (13.5)
Accountancy/law	3 (8)
Wholesale/retail/import/distribution	4 (11)
Communication/media	5 (13.5)
Advertising/marketing/consulting	8 (21.5)
Engineering/building/trade services	6 (16)
Design/innovation	1 (2.5)
Business support services	1 (2.5)
Information technology	1 (2.5)
Firm size	
Large (over 200 staff, $N = 18$)/medium (50–200 staff, $N = 9$)	27 (73)
Small (1–49 staff, $N = 10$)	10 (27)
Job titles	
Owner/Managing Director/Principal Partner	12 (27)
CEO, General Manager, Practice Manager	7 (16)
Marketing/Sales/Accountant/New Business Manager	22 (47)
Personnel Manager	3 (7)

To identify the sample, firms were requested to provide self-report data on their performance across three dimensions (financial, customer and brand) relative to their nearest competitor (for a full list of statements, see [Appendix 1](#)). Based on the mean scores obtained from this self-report data, a sample of high and low performers was identified. High performers were

classified as those firms whose mean score obtained was above the group average and low performers were classified as those firms whose mean score was below the group average. Firms located in either of these two categories were then requested to participate in a further study that aimed to examine in detail the strategies and approaches these firms use to achieve competitive advantage. Based on their self-assessed performance scores, 50 firms were identified in the high-performing group and 20 in the lower group. These were approached so that their respective management practices could be contrasted in relation to identifying best practices. Of the firms selected, 27 high performers (54%) and 10 lower performers (50%) agreed to take part in the interview phase of this second study.

Data collection

Where possible, multiple interviews were held in larger organisations to ensure a consistent managerial view, while single interviews were held in the smaller and medium-sized firms. In the smaller enterprises, this was often with the owner or managing partner. A total of 44 interviews, of between 1 and 2 h in length, were conducted by teams of two interviewers using a semi-structured format. All interviews were taped and transcribed, and one of the two interviewers took notes to verify the transcriptions.

In each interview, respondents were first asked open-ended questions to describe their firms, to offer unprompted (top of mind) views on what made their firms successful and what they considered to be their main sources of competitive advantage. They were also asked to comment on the results for the survey, which rated them against their nearest competitor. They were asked to elaborate on examples of marketing and management practices related to generic sources of competitive advantage identified by the survey. It is important to reiterate the main focus of this study was to develop an understanding of approaches and strategies used by managers to achieve competitive advantage. This did not entail a specific focus on HRM best practice as a means of competitive advantage, but instead broadly looked at management practices across a range of functions including, among other things, marketing and finance.

Data analysis

The aim of the analysis, using Pfeffer's (1998) seven dimensions of best practice HRM, was to identify several factors. It was to see:

- if any evidence exists to suggest SHRM is being practiced in New Zealand service organisations by assessing the extent to which HRM is considered an executive level function; and

- if employers appear cognisant of this relationship and thus consciously attempt either:
 - to match strategy with HRM practices in their organisations and/or
 - to achieve coherence in their HRM practices.

Analysis was undertaken using a content analysis approach so that recurrent themes could be identified and coded thematically against Pfeffer's (1998) seven dimensions of best practice. The use of thematic coding of data for analysis is appropriate given data were collected using a semi-structured interview technique (Flick, 2002).

Results

Jump to section

- Introduction
- Theoretical background

HRM best practice

Using Pfeffer's (1998) framework, the data revealed that high-performing organisations were more likely to use HRM best practice compared with low-performing organisations (Tables 2 and 3). High-performing organisations, in particular, appeared to use HRM to develop a 'quality service culture'. As one interviewee commented:

We have about 65% of our total staff, front-line staff, dealing with the customer. And that's been the whole focus of this organisation ... our internal support staff fully understands that our internal customers are just as important. In fact, their primary role is meeting the needs of the front-line staff who is meeting the needs of the customer. Everyone understands that.

Table 2. Recruitment and selection.

Size	High	Quote	Employer comments	Low	Quote	Employer comments
Large/ medium	Supports strategy	1	First off all figuring out what you want to do ... changing the people we hire.	Attract through reputation of key personnel/partners		
	Attitude	2	So it's not as if hey, if I'm interviewing we need them to emphasise with that kind of customer group. The guys who have worked on the farm ... we quite often make them into product managers	Focus on high levels of experience and qualifications	10	That's the sort of person I want who is qualified ... who's got experience in all these areas that I feel I'm lacking in.
	Social skills	3	Its just something that has been increasingly bugging me and we're now – we're re-emphasise the way we're interviewing these guys so we can find out what their social skills are about. Because in our industry in particular, it's so important that they've got that. Yeah, it's just something that doesn't seem to be – I mean its something that I don't think you can be taught anyway.		11	We've got extremely qualified people here. P has got tow degrees also, S our new rep, has got a nursing background and great experience that goes from you know, neurology wards to Oncology or whatever
	Customer needs	4	the kind of people we hire we need them to empathise with that kind of customer group; the guys who have worked on the farm ... we quite often make them into product managers			
	Trainability	5	You've either got it or you haven't got it. And it's a parental responsibility if anything. But you know, you've got to knock the edges off sometimes, it can be a degree of arrogance that comes out. But as long as it's tempered and headed in the right direction.			
	Branding	6	We get our branding more effectively into our recruitment advertising.			
	Contingent workforce	7	We don't really use consultants a lot. We have in periodically as we've needed to. But we probably hire expertise as is necessary. That's probably different to a consultant per se. But anyway in the IT area, whilst we have some very good support people locally, Wellington and Auckland. We have one person on the staff who is quite acute in those areas and so we tend to use him to build on the original site development. So in terms of monitoring the site and managing the site – I guess, he does that.			
Small	Staff from competitors	8	We obtain staff from their ranks.			
	Approached by potential staff	9	We don't look for staff, staff find us.			

When specific best practices in HRM were explored, it became evident that of the seven identified by Pfeffer, only two were highlighted consistently by these organisations:

recruitment and selection (Table 2); and training and development (Table 3). We discuss these below.

Table 3. Training and development.

Size	High	Quote	Employer comments	Low	Employer comments
Large	Commitment to investment in training	1	There is little doubt when compared to our competitors that our investment in skills training is very high. We see industry performance data and we are consistently higher. How important is this to success? Reputation would enable us to survive a while if we lost skilled people. But skills investment is very important for long-term success. In terms of training and developing we believe in promotion from within, there are opportunities for new career paths and activities for all our staff. We haven't focussed training on specific areas. We have provided training opportunities for people in all the ... A consultant works intensively with our advertising sales people, our printers attend regular refresher courses, but journalists don't attend regular formal training sessions. But the editor has been freed up to help change the culture of our journalists to enable us to go on line. Training tends to be job specific, but is broad in approach.		
	Commitment to building up skills for the whole industry	2	If you don't put it in, you don't get it out.		
		3	Raising skills levels and competencies for the whole building industry		
	Up-skilling, multi-skilling and retraining on a continuous basis	4	we can't afford from both the moral and legal perspective to not train ... as a service industry, we must be able to offer a consistent standard of service		
		5	Its one of the core things. ... all we've got is people. So we've got to make sure that we share the peoples knowledge really and we constantly replenish it otherwise we ain't got anything to sell, worth anyone getting his money for ... Information sharing and building new knowledge skills.		
	Employability	6	Well we put a lot of money into training, being fair ... we may not be able to give you a job for life, but you'll always have a job for life. It means that you'll leave the ... you'll leave here much better than you found it ... so we train people on all sorts of things. And sometimes I think we overdo it. But we do train them in life things as well.		
	On the job	7	The majority of training is on-the-job training. It's coaching and mentoring-type where possible. Sometimes the pressures of work again mean that its not as good as it could be. ... they are actually accompanied with either myself or some of my senior account managers, and then they're on their own. ... it's a gradual process.		
Small	Mentorship – internal and external	8	There again, I say that I go out with them and train them myself and sometimes they train me.		
	Provide T & D on request	If you're interested in something you come to me and I'll pay for it. What ever helps develop you.		Focus on compliance training	We have to do so many hours of education seminars per year.
	Training part of 'whole package'			Training left up to the individual	

Major themes

Recruitment and selection

Most organisations in the participating sample focussed on getting the right people to 'fit' the organisation. However, different criteria were used to determine this 'fit'. High-performing organisations focussed primarily on attitude of the applicant (Table 2, Quote 2) and selection was based on the applicant's ability to meet the needs of the customer (Table 2, Quotes 3 and 4).

Large, high-performing organisations placed the top priority on recruiting, as stated above, or on attitude, with trainability being considered an important prerequisite competency (Table 2, Quote 5). Once the incumbent had been appointed, the priority for the organisation then became one of training and developing the individual so that they were equipped with the necessary skills and abilities to perform the job tasks competently. One of the ways in which this group of organisations captured 'exceptional talent' was to use their 'brand' to position themselves as attractive employers, thus attempting to ensure they attracted the best talent

available ([Table 2](#), Quote 6). A weaker theme identified was the use of a contingent workforce – i.e. they employed expertise as and when required to minimise costs ([Table 2](#), Quote 7).

There was also evidence of best practice in recruitment and selection from small, high-performing organisations. The process, however, appeared to be less formalised and there was a reliance on obtaining ('poaching') staff from competitors ([Table 2](#), Quote 8), as well as being directly approached by prospective employees ([Table 2](#), Quote 9).

Low-performing organisations, on the other hand, provided a completely different picture of recruitment and selection. These organisations focused primarily on experience and qualifications ([Table 2](#), Quotes 10 and 11). There was also some evidence that they recruited individuals who had previously acquired a broader skill base, for example, in technical and sales areas.

Training and development

Large, high-performing organisations showed a firm commitment ([Table 3](#), Quotes 1 and 2) to investing in training and development and also appeared to adopt a strategic approach to implementation. Organisations recognised that benefits were likely to accrue from training and development, but acknowledged this was likely to pay off only in the longer term. There were a number of indications of this commitment, for example, in the reference to traineeship programmes; the development of skills for the industry as a whole ([Table 3](#), Quote 3) and the continuous engagement in training and retraining (replenishing) of individuals. This up-skilling and multi-skilling of the workforce was seen to be a significant benefit to an organisation, particularly in terms of improvements to quality ([Table 3](#), Quotes 4 and 5), and to assisting an individual in terms of their 'employability' ([Table 3](#), Quote 6). Interestingly, investment in training did not appear to be contingent on whether or not the individual was part of the core or peripheral workforce. One possible explanation for this is that customers do not make a distinction when receiving a service as to whether it is being delivered by an employee who comprises part of the core workforce, or an employee whose employment arrangement reflects a peripheral role.

A clear difference was identified between small organisations classified as high performing and low performing. While both high- and low-performing organisations provided training on request from the individual, only high-performing organisations viewed training as a requisite part of the whole package seen to comprise the employment relationship. These organisations also indicated an interest in development. For example, reference was explicitly made to the development both of life skills and to skills that support confidence-building, again suggesting developmental training was not a priority. Low-performing organisations, on the other hand, focussed more on regulatory compliance, rather than developmental, training. The majority of this training was conducted 'on-the-job' ([Table 3](#), Quote 7).

Organisations located in both the high/low category, as well as the large/small category mentioned the importance of coaching and mentoring as a way of building skill development amongst the workforce. However, high-performing organisations appeared to be particularly adept at this, using both internal and external mentors ([Table 3](#), Quote 8).

Secondary themes

Two further HRM best practices identified by Pfeffer, teamwork and communication, emerged as themes. However, evidence of their implementation was not nearly as strong as that identified for either recruitment and selection or training and development ([Table 4](#)). Thus, we have referred to these as secondary themes.

Table 4. Team work/communication.

Teamwork	Theme	Quote	Comments
	Predominant mode of structuring work	1	We have certain specialties here. Just get bigger teams of them. Like we have a team of eight in our commercial division which included three partners. And commercial and banking has got five partners and there's about 11/12 in the whole team. Some of them for some reason will have 14... And that's hard to compete with... if you're going to get bigger and you want to get bigger clients, you've got to be able to have a depth to be able to service the needs of those clients. ... A good example, Telecom. Probably wouldn't look at us, because they wouldn't think that we've got the depth.
		2	... What's happened over the last years, we've all become Team Architecture – so it's Avery Architecture or Bill Wright Team Architecture. So they've kept their identity in their own centres, but then we've become a national group... So when a project comes up, we all go and say, well actually the guys in Napier have done hospitals and somebody else – and only those three practices put in their information. ... It's then just pooling the resources from each practice. When it pertains to that particular project.
	Motivation	3	The motivational team work, we're really into that. I mean if I don't motivate those teams, I don't sell. And if I don't sell I don't have the contract of word of mouth. So we see that as a huge part of our business. Its keeping people in high self esteem.
	Stability	4	What I notice looking back over (firm name) ... its got a very stable team, but its got a stable team that has always been pushing for innovation... I look at other companies and I see, they might have stable teams, but they have not been pushing for innovation.
	Climate	5	Building a hot team... What that means is that everybody is treated as an individual, but also has the team mentality, which is pretty important. Because we're such a small operation, even though we're a big company. Being a remote radio station is fairly important that the operation of it is fairly lean and mean. I like to sort of offer my people excitement and humour. We spend a lot of time in our lives working, so humour, laughter and having fun is a huge benefit if a manager can provide that within a working environment.
Communication	Communication training	6	We have had HR problems in the past, lots of unhappy staff. You know – unmotivated staff. And it was recognised that the partners are brilliant at the law, but they've never had any training in people skills. ... I said, you guys have got to put some skills in there - put some business skills into your Law Skills. Got to train these people up – so that they understand the basics of – a lot of people are double degreering now, but there's still a remarkable number of people who had no idea on the financial aspect. Had no idea on how to talk to people. They come out of Law School after 4 years of intensive study and they're dumped into a client meeting and have no idea how to conduct themselves.
	Information sharing	7	The vision comes from me, b) the managers will get our heads around the vision, but this could take a few months. We are developing strategy and then a business plan. We are pro-active. Individuals have certain responsibilities, but they are never fixed as far as the business plan is concerned. We talk through ideas with staff.
		8	We have regular management meetings. And we challenge our manager at each of our management meetings by the fact of it's on our agenda. To be able to speak forth rightly with what's happening in their areas of operation... that's not against any structure apart from internal disciplines. I think it's really based on the fact that we're asking people to use their eyes and their ears and their contacts to keep abreast of what's going on. We're not managing it by any scientific mechanism

Teamwork

The data revealed teamwork to be the predominant mode for structuring work within some of the large organisations, and this trend was evident across both high- and low-performing groups (Table 4, Quotes 1 and 2). Teamwork was highlighted as a means to motivating groups in the workforce (Table 4, Quote 3). This was also the case in small, high-performing organisations. However, only those large organisations classified as high performing used teams as a means both to maintain stability among work groups and to create a positive work climate (Table 4, Quotes 4 and 5). The structure and composition of these teams appeared to be very purposeful, although it varied across large, high-performing organisations. For example, project teams and cross-functional teams were used. Low-performing organisations, on the other hand, whether large or small, appeared to adopt a more ad hoc arrangement to team formation.

Communication

A number of organisations in this study identified communication as an important way of sharing information among members of the workforce (Table 4). It was deemed so important by one large, high-performing organisation that initiatives were put in place to train staff in communication and interpersonal skills (Table 4, Quote 6). Large organisations shared information around vision (Table 4, Quote 7), as well as ways to improve product, work process and customer service (Table 4, Quote 8). Small, high-performing organisations saw communication as a way to share ideas with each other. Small, low-performing organisations

did not make reference to communication at all. As far as the implementation of communication initiatives is concerned, a number of such initiatives were explicitly identified, for example, team briefing sessions and regular formal meetings.

Strategic human resource management

Essentially this analysis involved identification of an organisation's strategic orientation towards their HRM function.

The analysis revealed there was considerable support for the use of SHRM among large, high-performing organisations (Table 5). Indeed some 16 of the 27 (59%) organisations provided evidence of either a contingency or a configurational approach. When these data were explored further, it became evident half of those organisations classified as using a strategic approach to HRM suggested a contingency approach was being applied, and the other half a configurational approach.

Table 5. Evidence of strategic level input and SHRM perspective.

Quote	Comment
1	HR fits within the business . . . it is actually a potent function within the overall management of this organisation
2	HR is very well respected . . . a powerful person. Both positional and sort of expert power etc. So it is quite high profile
3	It's taken us 3 years of a marketing manager and general manager and an HR manager to try and get that corporate structuring basis – saying, we need to have a strategy. And from that strategy we'll get our HR strategy, our marketing strategy and our IT strategy . . . They (The partners) couldn't see that and insisted on having it the other way around. So in actual fact we built our strategy out of components of all the other strategies.we've just about finalised a corporate strategy. Simply because basically the HR manager and I went on strike until they did it.

Of those organisations engaging in SHRM, there was evidence to suggest high-performing organisations, both large and small, had positioned the HRM function so that it had input into the strategic direction of the organisation. Those organisations that made efforts to engage HRM at a strategic level appeared to be entirely cognisant of this endeavour (Table 5, Quotes 1 and 2).

Not surprisingly, there was limited evidence of SHRM in low-performing organisations. However, there was a strong indication these organisations were attempting to develop an orientation towards SHRM (Table 5, Quote 3).

Discussion

This study finds there is abundant evidence to suggest a high level of awareness among high-performing organisations of HRM's importance as a source of competitive advantage. Along with this recognition, these organisations seemed aware of the need to develop a strategic HRM orientation in order to realise this competitive advantage.

There was a great deal of evidence provided by managers to support the widespread use of best practices in HRM. However, evidence of this use appears to be contingent on whether or not the organisation classified itself as a high or a low performer. The implementation of HRM practices in the participating organisations varied. In large, high-performing organisations their implementation appeared to be more purposeful. This transpired in practices being described as more structured and formalised. It was not the case in small organisations where a more ad hoc approach appeared to be taken. However, there was a clear indication managers viewed this ad hoc implementation as unsatisfactory, with some going so far as to suggest further development in this area was necessary and, indeed, imperative.

Where specific HRM practices are concerned, not all of Pfeffer's elements were highlighted by this sample of organisations as being particularly important to achieving a competitive advantage. The two most often cited areas of HRM practice were recruitment and selection, along with training and development, and again ample evidence was found to support the use of best practice across these two areas. Because the sample comprised service organisations, it was not surprising 'hiring for attitude' was considered very important, as was 'trainability' and 'employability'. A second best practice, arguably related to the best practice of employability, is a strong commitment to training and development and this study finds there is clear evidence of this happening. As the tables indicate, there were many references to investment in developing (and sometimes continuously developing) the knowledge and skills of the workforce.

Team work and communication were the other two areas of HRM that stood out. These were considered by some respondents as important practices in managing the employment relationship to gain a competitive advantage. Teamwork appears to have become the most common approach to organising work, particularly in larger organisations. It was seen as a means of enhancing the motivation of the workforce. While this appears positive, data obtained from respondents did not reveal how these teams were then compensated. Clearly, those organisations indicating they adopted a contingency or configurational model of HRM (i.e. SHRM) would need to have linked this mode of structuring work with a complementary or congruent compensation system (as well as a performance management system), thus rewarding the achievement of team goals, not individual goals.

Communication was seen by most organisations as a way of sharing information among members of the workforce, and mechanisms were identified to achieve this goal. The aim of promoting good communication was in most instances related to improvements in process, products and/or service. While it was evident communication practices were more formal in large organisations, this does not preclude the possibility that small organisations have effective communication channels. This is because small organisations, by virtue of their size, do not necessarily require such structured processes.

As far as the approach taken to the implementation of HRM is concerned, this study finds that there is no clear-cut indication of whether organisations pursue a contingent or a configurational model of SHRM. However, there is managerial support for the notion that HRM supports the strategic objectives of the organisation and has some utility in doing so.

Conclusion

The results of this study show HRM is considered a key source of competitive advantage for organisations, both in terms of its ability to help develop and further the strategic orientation, as well as its application in practice. Managers, especially in large, high-performing organisations, appear to be cognisant of the importance of both these aspects. This study finds smaller organisations, as well as low-performing organisations, refer less to HRM as a source of competitive advantage than do organisations classified as large and high performing. Furthermore, analysis revealed managers perceived not only recruitment and selection but also training and development to be core HRM areas pivotal to the realisation of a competitive advantage. Interestingly, little mention was made of other functional aspects of HRM.

These results provide a strong indication that organisations use SHRM and best practice in HRM, but they need to be viewed with caution. The framework for analysis imposed on the data has mainly been developed from studies in large organisations. One-third of this sample comprised small organisations. In small organisations deficiencies were evident against the framework used. This raises the question as to whether this HRM framework of best practice

has universal applicability and thus is suitable when researching HRM in small organisations. It should be remembered small organisations acquire their uniqueness by the very fact they are small. As Welsh and White (1981, p. 18) point out ‘small business is not a little big business’, and indeed future research exploring the relevancy of these identified best practices for the smaller organisation is required. In doing so, these types of studies need to identify from managers of small organisations those HRM practices that are considered to provide a competitive advantage.

The paper contributes to our understanding of best practice HRM in two ways. First, it provides evidence of the widespread use of best practice HRM, and second, it shows unprompted and substantive support from managers that best practice HRM is indeed considered a very important source of competitive advantage for service organisations.

Acknowledgements

The comments of Dr John Farnsworth, Department of Management, University of Otago, on the final draft of this paper are gratefully acknowledged.

Appendix

Financial performance
Profitability compared to our nearest competitor is
Total revenue compared to our nearest competitor is
Over the last 3 years the change in our profitability compared to our nearest competitor is
Customer performance
Customer satisfaction compared to our nearest competitor is
Customer loyalty compared to our nearest competitor is
Brand performance
Brand awareness compared to our nearest competitor is
Brand equity compared to our nearest competitor is

References

- 1. Alcázar, F. M., Fernández, P. M.R. and Gardey, G. S. 2005. Researching on SHRM: An analysis of the debate over the role played by human resources in firm success. *Management Revue*, 16(2): 213–241.
- 2. Baum, T., Amoah, V. and Spivack, S. 1997. Policy dimensions of human resource management in the tourism and hospitality industries. *International Journal of Contemporary Hospitality Management*, 9(5/6): 221–229.
- 3. Becker, B. and Gerhart, B. 1996. The impact of human resource management on organizational performance: Progress and prospects. *Academy of Management Journal*, 39(4): 779–801.
- 4. Becker, B., Huselid, M., Pickus, P. and Spratt, M. 1997. HR as a source of shareholder value: Research and recommendations. *Human Resource Management*, 36(1): 39–47.
- 5. Boselie, J., Dietz, G. and Boon, C. 2005. Commonalities and contradictions in HRM and performance research. *Human Resource Management Journal*, 15(3): 67–94.
- 6. Boxall, P. 1996. The strategic HRM debate and the resource-based view of the firm. *Human Resource Management Journal*, 6(3): 59–75.
- 7. Boxall, P. and Purcell, J. 2000. Strategic human resource management: Where have we come from and where should we be going?. *International Journal of Management Reviews*, 2(2): 183–203.

- **8. Browning, V.** 2003. *An investigation into the link between human resource management practices and service-orientated behaviour in South African service organisations*, Faculty of Commerce University of Cape Town. PhD thesis Graduate School of Business
- **9. Browning, V. and Edgar, F.** 2004. Reactions to HRM: And employee perspective from South Africa and New Zealand. *Journal of the Australian and New Zealand Academy of Management*, 10(2): 1–13.
- **10. Delery, J. E. and Doty, D. H.** 1996. Modes of theorizing in strategic human resource management: Tests of universalistic, contingency, and configurational performance predictions. *Academy of Management Journal*, 39(4): 802–835.
- **11. Dreher, G. and Dougherty, T.** 2002. *Human resource strategy: A behavioural perspective for the general manager*, Boston: McGraw-Hill Irwin.
- **12. Ferris, G. R., Hochwarter, W. A., Buckley, M. R., Harrell-Cook, G. and Frink, D. D.** 1999. Human resources management: Some new directions. *Journal of Management*, 25(3): 85–415.
- **13. Flick, U.** 2002. *An introduction to qualitative research*, London, , UK: Sage Publications.
- **14. Gilbert, D. and Guerrier, Y.** 1997. Hospitality managers past and present. *The Service Industries Journal*, 17(1): 115–132.
- **15. Guerrier, Y. and Lockwood, A.** 1989. Developing hotel managers: A reappraisal. *International Journal of Hospitality Management*, 8(2): 82–88.
- **16. Hales, C.** 1987. Quality of working life, job redesign and participation in a service industry: A rose by any other name?. *Service Industrial Relations*, 7(3): 253–273.
- **17. Harrington, D. and Akehurst, G.** 1996. Service quality and business performance in the UK hotel industry. *International Journal of Hospitality Management*, 15(3): 283–298.
- **18. Haynes, P. and Fryer, G.** 2000. Human resources, service quality and performance: A case study. *International Journal of Contemporary Hospitality Management*, 12(4): 240–248.
- **19. Heskett, J. L.** 2002. Beyond customer loyalty. *Managing Service Quality*, 12(6): 355–357.
- **20. Heskett, J. L., Sasser, W. E. and Schlesinger, L.** 1997. *The service profit chain: How leading companies link profit and growth to loyalty, satisfaction, and value*, New York: Free Press.
- **21. Hoque, K.** 1999. Human resource management and performance in the UK hotel industry. *British Journal of Industrial Relations*, 37(3): 419–443.
- **22. Hoque, K.** 2000. *Human resource management in the hotel industry: strategy, innovation and performance*, London: Routledge.
- **23. Hutchinson, S., Kinnie, N., Purcell, J., Rayton, B. and Swart, J.** 2000. *People management and performance*, London: Routledge.
- **24. Marchington, M. and Grugulis, I.** 2000. Best practice HRM: Perfect opportunity or dangerous illusion?. *International Journal of Human Resource Management*, 11(6): 1104–1124.
- **25. Marchington, M. and Wilkinson, A.** 2005. “High commitment HRM and performance”. In *Human resource management at work*, 71–98. London: CIPD.
- **26. Mattson, J.** 1994. Improving service quality in person to person encounters: Integrating findings from a multidisciplinary review. *The Service Industries Journal*, 14(1): 45–61.

- **27. Peccei, R. and Rosenthal, P. 2000. Front-line responses to customer orientation programs: A theoretical and empirical analysis. *International Journal of Human Resource Management*, 11(3): 562–590.**
- **28. Pfeffer, J. 1994. Competitive advantage through people. *California Management Review*, 36(2): 9–28.**
- **29. Pfeffer, J. 1998. Seven practices of successful organizations. *California Management Review*, 40(2): 96–124.**
- **30. Purcell, J. 1999. Best practice and best fit: Chimera or cul-de-sac?. *Human Resource Management Journal*, 9(3): 26–41.**
- **31. Redman, T. and Mathews, B. P. 1998. Service quality and human resource management: A review and research agenda. *Personnel Review*, 27(1): 57–77.**
- **32. Schneider, B. and Bowen, D. E. 1995. *Winning the service game*, Boston: Harvard Business School Press.**
- **33. Schuler, R. S. 1987. *Personnel management*, 3, St Paul: West Publication Company.**
- **34. Watson, S. and D'Annunzio-Green, N. 1996. Implementing cultural change through human resources: The elusive organisational alchemy?. *International Journal of Contemporary Hospitality Management*, 8(2): 25–30.**
- **35. Welsh, J. A. and White, J. F. 1981. A small business is not a little big business. *Harvard Business Review*, 59(4): 18–30.**
- **36. Wood, S. and Albanese, M. T. 1995. Can we speak of a high commitment management on the shop floor?. *Journal of Management Studies*, 32(2): 215–247.**
- **37. Youndt, M. A., Snell, S. A., Dean, J. and Lepak, D. P. 1996. Human resource management, manufacturing strategy, and firm performance. *Academy of Management Journal*, 39(4): 836–866.**